



Minutes of the 244<sup>th</sup> meeting of the Ethics Committee held on Friday, 10 July 2020 at 12:30 p.m. in Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong and via video conference.

- Present: Ms. Piera Ho (Chair)  
Mr. Stephen Chan (Dial-in)  
Mr. Alex Cheng (Dial-in)  
Mr. Dennis Fullgrabe  
Mr. Allan Hepburn  
Ms. Lai Wai Shan (Dial-in)  
Ms. Anna Lam  
Mr. Horace Ma (Dial-in)  
Mr. Poon Chi Li (Dial-in)  
Ms. Helen Tang (Dial-in)  
Mr. Alec Tong (Dial-in)  
Ms. Careen Wong (Dial-in)  
Mr. Wilfred Wong (Dial-in)
- In attendance: Mr. Chris Joy, Executive Director  
Ms. Elsa Ho, Director, Quality Assurance  
Ms. Selene Ho, Deputy Director, Standard Setting  
Mr. Norman Chan, Associate Director, Standard Setting  
Mr. Dennis Chan, Senior Manager, Quality Assurance  
Ms. Phoebe To, Manager, Standard Setting  
Ms. Grace Lau, Manager, Standard Setting
- Observer: Mr. Ambrose Wong, Financial Reporting Council (Dial-in)

Action

**1680. Minutes of the 243<sup>rd</sup> Meeting**

The Committee approved the minutes of the 243<sup>rd</sup> meeting.

**1681. Updated work plan for 2020**

At the April meeting, the Committee discussed the Institute's proposed strategic direction and work plan for 2020, and suggested to strengthen the efforts on local projects.

SSD had updated the proposed work plan to include initiatives such as reaching out to the Institute's young members to understand their ethics perception and needs. The Committee noted and agreed with the updated work plan.

**1682. Update on IESBA's National Standard Setters meeting**

On 11 May, the Chair of the Committee and Institute representatives attended the NSS virtual meeting. The Committee was updated on key topics and the IESBA projects discussed at the meeting, such as tax planning and related services, and the definition of listed entity and public interest entity.

**1683. Findings relating to commission and referral fees**

At the October 2019 meeting, SSD presented the research findings on the offering of commission and referral fees by practicing members disallowed under section 900.3, Chapter C of the HKICPA Code of Ethics for Professional Accountants (the “Code”).

Subsequent to the meeting, SSD had collected further comments from relevant stakeholders and reported the following:

- Hong Kong practitioners are generally aware of the prohibition and concur that disallowing the offering of commission and referral fee would reduce unethical behaviour among professional accountants.
- In case of a PRC accountant requesting a referral fee for a referred engagement, Hong Kong practitioners would generally decline the request to pay, or turn down the referred engagement in order to uphold the requirements of the Code.

Following the findings, SSD proposed to publish local educational material with illustrative examples to provide ethics guidance on the offering of commission and referral fees by practicing members. The Committee welcomed the proposed guidance and had some editorial comments.

*[Note: The educational material was issued on 17 July and is available at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/New-and-major-standards/New-and-Major-Standards/New-code-of-ethics>]*

**1684. Initial findings relating to whistle-blowing policy and protection in other professional standards and jurisdictions**

At the April meeting, the Committee considered the results of SSD’s local ethics survey conducted between November 2019 and January 2020. Survey respondents indicated that one of the major reasons of workplace ethics issue was undue pressure from management, while a member considered an effective whistle-blowing mechanism would be important to prevent such undue pressure.

Subsequent to the meeting, SSD had researched on the whistle-blowing policy and protection in other professional standards and jurisdictions and reported the findings. The Committee agreed that a whistleblower protection mechanism would be important to address undue pressure from management. While enforcing such mechanism would not be within the Institute’s purview, SSD was requested to consider initiatives to raise the community’s awareness on the importance of a whistleblower protection system.

SSD

**1685. Consider proposed Chapter G “Professional Ethics Relevant to Anti-money Laundering and Counter-terrorist Financing Compliance for Accounting Professionals” of the Code**

To facilitate the Institute to discharge its regulatory responsibilities, the Institute intends to add a proposed chapter, Chapter G, to the Code to impose an obligation on certified public accountants (“CPAs”) and practice units to provide information to the Institute, including responses to questionnaires, requested by the Institute for regulatory purposes. With the proposed Chapter G, the Institute would widen the scope of monitoring activities over professional accountants’ compliance with relevant anti-money laundering and counter-terrorist financing requirements.

The Committee noted the proposed Chapter G and provided comments. A member noted that the proposed Chapter G would not apply to professional service entities not wholly owned or controlled by CPAs and /or practice units.

The Director of Quality Assurance (the “Director of QA”) explained that the current monitoring regime of the Institute did not cover professional service entities owned or controlled by CPAs and practice units. The proposed Chapter G would be the Institute’s first initiative to enhance supervision over these entities who might be involved in preparing for or carrying out for clients “specified transactions” defined in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) which would give rise to higher money laundering/terrorist financing risks. The Director of QA also explained that the proposed Chapter G was the first step to expand the Institute’s supervision on an incremental basis. The ultimate goal of the Institute’s supervision would be to capture all professional services entities set up or controlled by CPAs or practice units unless they were subject to the regulation of other anti-money laundering regulators.

The Institute’s incremental plan to expand the supervision scope had been published in the Institute’s financial reporting, auditing and ethics Alert in June 2020. A member suggested the Institute to issue further explanatory material to enhance members’ awareness and understanding of the scope expansion.

The proposed Chapter G had been approved by the Institute’s Practice Review Committee. The Committee was requested to provide further comments, if any, on the proposed Chapter G for the Director of QA’s consideration.

*[Note: The exposure draft of the proposed Chapter G of the Code was approved by the Committee on 15 July and issued on 20 July with comments due on 28 August. It is available at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Code-of-Ethics>. The closing date for comments has been extended to 20 October 2020.]*

There being no further business, the meeting closed at 1:50 p.m.

PIERA HO  
CHAIRMAN

10 SEPTEMBER 2020